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TAGS: [PARM](#) [ETTC](#) [PREL](#) [EIND](#) [IR](#) [IT](#) [EXPORT](#) [CONTROLS](#)

SUBJECT: SALE OF FAST BOATS TO IRAN

REF: A. ROME 5552

[1](#)B. STATE 338477

[1](#)C. ROME 5202 AND PREVIOUS

Classified By: Acting Economic Minister Kathleen Reddy for Reasons 1.5
(A) (B) and 1.6X6.

Summary

[1](#)1. (S) Embassy continues to press the GOI both to stop any shipments of FB Design fast boats still in Italian territory, and to institute legal means immediately to stop any future export of such technology. The GOI still insists it has no legal authority to stop such shipments. However, Foreign Minister Frattini reportedly has written to Trade Minister Marzano to suggest that the Trade Ministry draft a decree law banning the export of these boats. End Summary.

MFA: No Legal Authority to Stop Fast Boat Export.

[1](#)2. (S) Economic Counselor called on Ugo de Mohr, MFA Coordinator for Non-Proliferation, to follow up on Ref A report of Embassy's conversations with other senior GOI officials on 1) the need to stop delivery of any fast boats still in Italian territory; and 2) Italy's efforts to institute dependable legal mechanisms to block any future sale of fast boats.

[1](#)3. (S) de Mohr opened by recounting his personal efforts to find a way to block fast boats sales to Iran. First, he had tried (unsuccessfully) to add high speed boats to Italy's export control list. He then explored whether Italy might apply the EU "catch-all principle" (permitting Members to control technology not controlled by Member state law, but which could be used for "mass destruction"). He had to discard this possibility since, he said, technology capable of "mass destruction" under the principle would be technology that could be used in nuclear, missile, biological, or chemical weaponry; and fast boats did not fall in any of these categories.

[1](#)4. (S) He then explored whether he might use the EU's "catch more" principle (permitting Members to control technology not controlled by Member state law, but which could be used for conventional military purposes). Even though fast boats might be used for such purposes, he said, the country of concern (here, Iran) must be under a UN or EU conventional arms embargo. Iran, he added, was not under such an embargo.

However, MFA Has Suggested the GOI Could Pass a Decree Law.

[1](#)5. (S) De Mohr admitted he was "embarrassed" that it had been so difficult to find the legal authority to prevent the export of such technology. He implied, however, that Ref A demarches and representations with the Foreign Minister, the Foreign Minister's Chief of Staff, and the Prime Minister's closest advisor, had been helpful. Still, however, it was not the Foreign Ministry that had the "power" to institute the necessary legal mechanism, but the Ministry of Productive Activities (MPA) (i.e., the Industry Ministry), and the Foreign Trade Ministry. (Note: under Italy's system, the Foreign Trade Ministry is actually part of the Industry Ministry). de Mohr said (strictly protect) that he had drafted letters yesterday from Foreign Minister Frattini to Minister of Productive Activities Marzano and to the Prime Minister's office strongly suggesting that the MPA draft a decree law forbidding the export of fast boat technology. He did not know whether the letters had been transmitted yet. Stressing he was speaking "off the record," he suggested the Embassy should raise our concerns with the MPA Minister's cabinet to see if the Minister could agree to having such a decree law drafted and bringing it immediately to the Council of Ministers for approval. If this approached worked, de Mohr noted, a decree law could be drafted in as little as 24 hours. However, time was short because there was only one

more Council meeting before the Christmas/New Year holiday (on December 23) - and because of the impending shipment of the fast boat from Venice.

Stopping the Shipments from Genoa and Venice

16. (S) Given the imminent departure of the Venice ship (December 19) and with no further information on the whereabouts of the one (or two?) other fast boats known to be aboard the Iran Makin December 7, de Mohr questioned whether the USG was really interested now in having new legal controls in place for any future transactions - or whether we were still interested in stopping whatever shipments we could. Econ counselor replied firmly that our instructions continued to be the same - that we must urge Italy to take whatever steps necessary to stop the shipments still in Italian territory.

FB Design's Role

17. (S) Econ Counselor questioned why FB Design could no longer live up to its verbal commitment to the GOI not to ship its high-speed boats indefinitely while the political situation in the Gulf area continued to be so volatile. de Mohr replied that FB Design had told the GOI 1) the firm had incurred a large cost in building the four boats in question; and 2) the firm would subject itself to a very large fine (from Iran) if the firm did not fulfill its contractual obligation to deliver the boats as promised. Reportedly, to recover its costs for building the four boats, FB Design principals had asked the GOI if either Italy or the USG would be interested in buying the boats. (Italy is not interested, de Mohr said.) On the penalty for failing to fulfill its contractual obligation, FB Design said the contract stipulated that the firm could avoid the fine if there were a law in place preventing delivery of the boats. de Mohr said this fact prompted him even more to press for the decree law; however, he admitted his solution was only a partial one for the firm because the firm might be "stuck" with the boats if it could not find another customer looking for the exact design of the fast boats bound for Iran.

Ministry of Trade Is Energized to Find a Solution.

18. (S) Econ Counselor then made an appointment immediately to see Gabriele Checchia, Diplomatic Advisor to the Ministers of Trade and of Productive Activities Antonio Marzano. She made the same points to Checchia as she had at the MFA. She also said that Italy's Embassy in Washington had recently accompanied a large delegation of Italian business representatives on calls on the USG in Washington to press for access to more sophisticated technology for Italian business. She said that while further access to technology would be judged on the merits of a specific transfer, any future USG decisions on technology transfer to Italy would certainly reflect Italy's record in protecting sensitive technology already in hand, including, of course, the technology that the USG was now asking Italy to protect. Checchia said he was very familiar with the delegation and its mission.

19. (S) On the decree law, Checchia said he would see Minister Marzano immediately and would see if such a draft law could be drafted in time for the Council of Ministers to review it December 23. Checchia hinted this would not be an easy task.

110. (S) On stopping the shipments from Venice and Genoa, Checchia took detailed notes, but said this task would be difficult. He said the authority to stop such shipments would rest with Italy's customs service, which falls within the Finance Ministry's authority. If the customs service could not be energized to act quickly, he said, "some other way would have to be found."

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